

U.S. Return of Partnership Income

OMB No. 1545-0099

For calendar year 2005, or tax year beginning _____, 2005, ending _____, 20 _____.
▶ See separate instructions.

2005

A Principal business activity CHAIR MFG	Use the IRS label. Otherwise, print or type.	Name of partnership PONIES AND PETUNIAS PARTNERSHIP	D Employer identification number 40-4240010
B Principal product or service CHAIRS		Number, street, and room or suite no. If a P.O. box, see the instructions. 145 WEST PLAZA SQUARE SUITE 14	E Date business started 07-01-1999
C Business code number 337000		City or town, state, and ZIP code INDIANAPOLIS IN 46206-0111	F Total assets (see the instructions) \$ 767,987

G Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change (5) ☐ Amended return
H Check accounting method: (1) ☐ Cash (2) ☒ Accrual (3) ☐ Other (specify) ▶ _____
I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶ **2**

Caution: Include **only** trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

I n c o m e	1 a Gross receipts or sales	1a	1,011,314		
	b Less returns and allowances	1b	10,000	1c	1,001,314
	2 Cost of goods sold (Schedule A, line 8)	2	452,000		
	3 Gross profit. Subtract line 2 from line 1c	3	549,314		
	4 Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)	4			
	5 Net farm profit (loss) (attach Schedule F (Form 1040))	5			
	6 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)	6	19,036		
	7 Other income (loss) (attach statement)	7			
8 Total income (loss). Combine lines 3 through 7	8	568,350			
D e d u c t i o n s (see the instructions for limitations)	9 Salaries and wages (other than to partners) (less employment credits)	9	75,000		
	10 Guaranteed payments to partners	10	26,000		
	11 Repairs and maintenance	11	10,000		
	12 Bad debts	12			
	13 Rent	13	12,000		
	14 Taxes and licenses	14	15,000		
	15 Interest	15			
	16 a Depreciation (if required, attach Form 4562)	16a	108,969		
	b Less depreciation reported on Schedule A and elsewhere on return	16b		16c	108,969
	17 Depletion (Do not deduct oil and gas depletion.)	17			
	18 Retirement plans, etc.	18			
	19 Employee benefit programs	19	45,000		
20 Other deductions (attach statement)	20				
21 Total deductions. Add the amounts shown in the far right column for lines 9 through 20	21	291,969			
22 Ordinary business income (loss). Subtract line 21 from line 8	22	276,381			

Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member) is based on all information of which preparer has any knowledge.			May the IRS discuss this return with the preparer shown below (see instructions)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
	Signature of general partner or limited liability company member manager		Date	
Paid Preparer's Use Only	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
	Firm's name (or yours if self-employed), address, and ZIP code		EIN	Phone no.

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

Form **1065** (2005)

Schedule A Cost of Goods Sold (see the instructions)

1	Inventory at beginning of year	1	55,000
2	Purchases less cost of items withdrawn for personal use	2	400,000
3	Cost of labor	3	37,000
4	Additional section 263A costs (attach statement)	4	
5	Other costs (attach statement)	5	
6	Total. Add lines 1 through 5	6	492,000
7	Inventory at end of year	7	40,000
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	452,000

9 a Check all methods used for valuing closing inventory:

- (i) ☒ Cost as described in Regulations section 1.471-3
(ii) ☐ Lower of cost or market as described in Regulations section 1.471-4
(iii) ☐ Other (specify method used and attach explanation) ▶

b Check this box if there was a writedown of "subnormal" goods as described in Regulations section 1.471-2(c) ☐

c Check this box if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ☐

d Do the rules of section 263A (for property produced or acquired for resale) apply to the partnership? ☐ Yes ☒ No

e Was there any change in determining quantities, cost, or valuations between opening and closing inventory? ☐ Yes ☒ No

If "Yes," attach explanation.

Schedule B Other Information

	Yes	No
1 What type of entity is filing this return? Check the applicable box:		
a <input type="checkbox"/> Domestic general partnership		
b <input type="checkbox"/> Domestic limited partnership		
c <input checked="" type="checkbox"/> Domestic limited liability company		
d <input type="checkbox"/> Domestic limited liability partnership		
e <input type="checkbox"/> Foreign partnership		
f <input type="checkbox"/> Other ▶		
2 Are any partners in this partnership also partnerships?		<input checked="" type="checkbox"/>
3 During the partnership's tax year, did the partnership own any interest in another partnership or in any foreign entity that was disregarded as an entity separate from its owner under Regulations sections 301.7701-2 and 301.7701-3? If yes, see instructions for required attachment		
4 Did the partnership file Form 8893, Election of Partnership Level Tax Treatment, or an election statement under section 6231(a)(1)(B)(ii) for partnership-level tax treatment, that is in effect for this tax year? See Form 8893 for more details		<input checked="" type="checkbox"/>
5 Does this partnership meet all three of the following requirements?		
a The partnership's total receipts for the tax year were less than \$250,000;		
b The partnership's total assets at the end of the tax year were less than \$600,000; and		
c Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return.		
If "Yes," the partnership is not required to complete Schedules L, M-1, and M-2; Item F on page 1 of Form 1065; or Item N on Schedule K-1		
6 Does this partnership have any foreign partners? If "Yes," the partnership may have to file Forms 8804, 8805 and 8813. See the instructions		<input checked="" type="checkbox"/>
7 Is this partnership a publicly traded partnership as defined in section 469(k)(2)?		<input checked="" type="checkbox"/>
8 Has this partnership filed, or is it required to file, a return under section 6111 to provide information on any reportable transaction?		<input checked="" type="checkbox"/>
9 At any time during calendar year 2005, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See the instructions for exceptions and filing requirements for Form TD F 90-22.1. If "Yes," enter the name of the foreign country. ▶		<input checked="" type="checkbox"/>
10 During the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the partnership may have to file Form 3520. See the instructions		<input checked="" type="checkbox"/>
11 Was there a distribution of property or a transfer (for example, by sale or death) of a partnership interest during the tax year? If "Yes," you may elect to adjust the basis of the partnership's assets under section 754 by attaching the statement described under Elections Made By the Partnership in the instructions		
12 Enter the number of Forms 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return	0	

Designation of Tax Matters Partner (see the instructions)

Enter below the general partner designated as the tax matters partner (TMP) for the tax year of this return:

Name of designated TMP ▶	PARTNER ONE	Identifying number of TMP ▶	123-45-6789
Address of designated TMP ▶	85 CHESAPEAKE DRIVE INDIANAPOLIS IN 46206		

Schedule K		Partners' Distributive Share Items		Total amount	
Income (Loss)	1	Ordinary business income (loss) (page 1, line 22)		1	276,381
	2	Net rental real estate income (loss) (attach Form 8825)		2	9,000
	3 a	Other gross rental income (loss)	3a 1,500		
	b	Expenses from other rental activities (attach statement) STATEMENT # 1	3b 203		
	c	Other net rental income (loss). Subtract line 3b from line 3a		3c	1,297
	4	Guaranteed payments		4	26,000
	5	Interest Income		5	3,325
	6	Dividends: a Ordinary dividends		6a	1,111
	b	Qualified dividends	6b 667		
	7	Royalties		7	412
	8	Net short-term capital gain (loss) (attach Schedule D (Form 1065))		8	(2,400)
Deductions	9 a	Net long-term capital gain (loss) (attach Schedule D (Form 1065))		9a	5,000
	b	Collectibles (28%) gain (loss)	9b 8,000		
	c	Unrecaptured section 1250 gain (attach statement) STATEMENT # 2	9c 854		
	10	Net section 1231 gain (loss) (attach Form 4797)		10	(5,411)
	11	Other income (loss) (see instructions) Type STATEMENT # 3		11	4,000
Self-Employment	12	Section 179 deduction (attach Form 4562)		12	55,000
	13 a	Contributions		13a	
	b	Investment interest expense		13b	114
	c	Section 59(e)(2) expenditures: (1) Type (2) Amount		13c(2)	
Credits & Credit Recapture	d	Other deductions (see instructions) Type STATEMENT # 4		13d	3,763
	14 a	Net earnings (loss) from self-employment		14a	293,642
	b	Gross farming or fishing income		14b	
	c	Gross nonfarm income		14c	
	15 a	Low-income housing credit (section 42(j)(5))		15a	
	b	Low-income housing credit (other)		15b	
Foreign Transactions	c	Qualified rehabilitation expenditures (rental real estate) (attach Form 3468)		15c	
	d	Other rental real estate credits (see instructions) Type		15d	
	e	Other rental credits (see instructions) Type		15e	
	f	Other credits and credit recapture (see instructions) Type		15f	
	16 a	Name of country or U.S. possession		16a	
	b	Gross income from all sources		16b	
	c	Gross income sourced at partner level		16c	
	d	Passive e Listed categories (attach statement) f General limitation		16f	
	g	Interest expense h Other		16h	
	i	Passive j Listed categories (attach statement) k General limitation		16k	
Alternative Minimum Tax (AMT) Items	l	Total foreign taxes (check one): Paid Accrued		16l	
	m	Reduction in taxes available for credit (attach statement)		16m	
	n	Other foreign tax information (attach statement)			
	17 a	Post-1986 depreciation adjustment		17a	8,634
	b	Adjusted gain or loss		17b	
	c	Depletion (other than oil and gas)		17c	1,234
Other Information	d	Oil, gas, and geothermal properties-gross income		17d	9,999
	e	Oil, gas, and geothermal properties-deductions		17e	2,222
	f	Other AMT items (attach statement)		17f	
	18 a	Tax-exempt interest income		18a	
	b	Other tax-exempt income		18b	
	c	Nondeductible expenses		18c	
	19 a	Distributions of cash and marketable securities		19a	310,596
b	Distributions of other property		19b		
	20 a	Investment income		20a	10,048
	b	Investment expenses		20b	102
	c	Other items and amounts (attach statement) STATEMENT # 5			

Analysis of Net Income (Loss)

1 Net income (loss). Combine Schedule K, lines 1 through 11. From the result, subtract the sum of Schedule K, lines 12 through 13d, and 16l						1	259,838
2 Analysis by partner type:	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt organization	(vi) Nominee/Other	
a General partners		204,378					
b Limited partners		59,460					

Note: Schedules L, M-1, and M-2 are not required if Question 5 of Schedule B is answered "Yes."

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1 Cash			56,000		74,000
2 a Trade notes and accounts receivable		75,000		22,000	
b Less allowance for bad debts		2,500	72,500		22,000
3 Inventories			55,000		40,000
4 U.S. government obligations			10,000		10,000
5 Tax-exempt securities					
6 Other current assets (attach statement) . . . STATEMENT # 6			1,500		1,500
7 Mortgage and real estate loans					
8 Other investments (attach statement) . . . STATEMENT # 7			47,000		
9 a Buildings and other depreciable assets		585,000		797,000	
b Less accumulated depreciation		67,544	517,456	231,513	565,487
10 a Depletable assets					
b Less accumulated depletion					
11 Land (net of any amortization)			55,000		55,000
12 a Intangible assets (amortizable only)					
b Less accumulated amortization					
13 Other assets (attach statement)					
14 Total assets			814,456		767,987
Liabilities and Capital					
15 Accounts payable			52,000		67,000
16 Mortgages, notes, bonds payable in less than 1 year			37,000		45,000
17 Other current liabilities (attach statement) . . . STATEMENT # 8					20,788
18 All nonrecourse loans					
19 Mortgages, notes, bonds payable in 1 year or more			297,456		285,112
20 Other liabilities (attach statement)					
21 Partners' capital accounts			428,000		350,087
22 Total liabilities and capital			814,456		767,987

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return

1 Net income (loss) per books	233,838	6 Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize):	
2 Income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11, not recorded on books this year (itemize):		a Tax-exempt interest \$	
3 Guaranteed payments (other than health insurance)	26,000	7 Deductions included on Schedule K, lines 1 through 13d, and 16l, not charged against book income this year (itemize):	
4 Expenses recorded on books this year not included on Schedule K, lines 1 through 13d, and 16l (itemize):		a Depreciation \$	
a Depreciation \$			
b Travel and entertainment \$		8 Add lines 6 and 7	
5 Add lines 1 through 4	259,838	9 Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5	259,838

Schedule M-2 Analysis of Partners' Capital Accounts

1 Balance at beginning of year	428,000	6 Distributions: a Cash	310,596
2 Capital contributed: a Cash		b Property	
b Property		7 Other decreases (itemize):	
3 Net income (loss) per books	233,838	STATEMENT # 10	
4 Other increases (itemize):			4,411
STATEMENT # 9	3,256	8 Add lines 6 and 7	315,007
5 Add lines 1 through 4	665,094	9 Balance at end of year. Subtract line 8 from line 5	350,087

1 Show the kind and location of each property. See page 2 to list additional properties.

- A **APT BUILDING**
145 COMMUNITY ZONE DRIVE
- B
- C
- D

Rental Real Estate Income		Properties			
		A	B	C	D
2	Gross rents	2	8,797		
Rental Real Estate Expenses					
3	Advertising	3			
4	Auto and travel	4			
5	Cleaning and maintenance	5			
6	Commissions	6			
7	Insurance	7			
8	Legal and other professional fees	8			
9	Interest	9			
10	Repairs	10			
11	Taxes	11			
12	Utilities	12			
13	Wages and salaries	13			
14	Depreciation (see instructions)	14			
15	Other (list) ▶ OTHER DISCOUNT	15	(203)		
16	Total expenses for each property. Add lines 3 through 15	16	(203)		
17	Total gross rents. Add gross rents from line 2, columns A through H	17		8,797	
18	Total expenses. Add total expenses from line 16, columns A through H	18		(203)	
19	Net gain (loss) from Form 4797, Part II, line 17, from the disposition of property from rental real estate activities	19			
20a	Net income (loss) from rental real estate activities from partnerships, estates, and trusts in which this partnership or S corporation is a partner or beneficiary (from Schedule K-1)	20a			
b Identify below the partnerships, estates, or trusts from which net income (loss) is shown on line 20a. Attach a schedule if more space is needed:					
(1) Name		(2) Employer identification number			
-----		-----			
-----		-----			
-----		-----			
21	Net rental real estate income (loss). Combine lines 17 through 20a. Enter the result here and on:				
• Form 1065 or 1120S: Schedule K, line 2, or		21		9,000	
• Form 1065-B: Part I, line 4					

SCHEDULE D
(Form 1065)

Department of the Treasury
Internal Revenue Service

Name of partnership

Capital Gains and Losses

Attach to Form 1065.

OMB No. 1545-0099

2005

Employer identification number

PONIES AND PETUNIAS PARTNERSHIP

40-4240010

Part I Short-Term Capital Gains and Losses - Assets Held 1 Year or Less

(a) Description of property (e.g., 100 shares of "Z" Co.)	(b) Date acquired (year, month, day)	(c) Date sold (year, month, day)	(d) Sales price (see instructions)	(e) Cost or other basis (see instructions)	(f) Gain or (loss) Subtract (e) from (d)
SHORT TERM STOCK	20050630	20051031	6,000	3,000	3,000
SHORT TERM LOSS	20050118	20050814	1,000	6,400	(5,400)

2	Short-term capital gain from installment sales from Form 6252, line 26 or 37	2
3	Short-term capital gain (loss) from like-kind exchanges from Form 8824	3
4	Partnership's share of net short-term capital gain (loss), including specially allocated short-term capital gains (losses), from other partnerships, estates, and trusts	4
5	Net short-term capital gain or (loss). Combine lines 1 through 4 in column (f). Enter here and on Form 1065, Schedule K, line 8 or 11	5 (2,400)

Part II Long-Term Capital Gains and Losses - Assets Held More Than 1 Year

(a) Description of property (e.g., 100 shares of "Z" Co.)	(b) Date acquired (year, month, day)	(c) Date sold (year, month, day)	(d) Sales price (see instructions)	(e) Cost or other basis (see instructions)	(f) Gain or (loss) Subtract (e) from (d)
LONG TERM STOCK	19990101	20050630	10,000	6,000	4,000
28% CAP GAIN	19950815	20050918	1,800	800	1,000
LONG TERM GAIN	20000815	20050415	8,000		8,000
LONG TERM LOSS	20000815	20050415		8,000	(8,000)

7	Long-term capital gain from installment sales from Form 6252, line 26 or 37	7
8	Long-term capital gain (loss) from like-kind exchanges from Form 8824	8
9	Partnership's share of net long-term capital gain (loss), including specially allocated long-term capital gains (losses), from other partnerships, estates, and trusts	9
10	Capital gain distributions	10
11	Net long-term capital gain or (loss). Combine lines 6 through 10 in column (f). Enter here and on Form 1065, Schedule K, line 9a or 11	11 5,000

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2005

For calendar year 2005, or tax

year beginning 01-01, 2005
ending 12-31, 20 05Partner's Share of Income, Deductions,
Credits, etc.

▶ See page 2 of form and separate instructions.

Part I Information About the Partnership																					
A Partnership's employer identification number 40-4240010																					
B Partnership's name, address, city, state, and ZIP code PONIES AND PETUNIAS PARTNERSHIP 145 WEST PLAZA SQUARE SUITE 14 INDIANAPOLIS IN 46206-0111																					
C IRS Center where partnership filed return																					
D <input type="checkbox"/>	Check if this is a publicly traded partnership (PTP)																				
E <input type="checkbox"/>	Tax shelter registration number, if any																				
F <input type="checkbox"/>	Check if Form 8271 is attached																				
Part II Information About the Partner																					
G Partner's identifying number 123-45-6789																					
H Partner's name, address, city, state, and ZIP code PARTNER ONE 85 CHESAPEAKE DRIVE INDIANAPOLIS IN 46206																					
I <input checked="" type="checkbox"/>	General partner or LLC member-manager																				
<input type="checkbox"/>	Limited partner or other LLC member																				
J <input checked="" type="checkbox"/>	Domestic partner																				
<input type="checkbox"/>	Foreign partner																				
K	What type of entity is this partner? INDIVIDUAL																				
L Partner's share of profit, loss, and capital:																					
	<table border="1"><thead><tr><th></th><th>Beginning</th><th></th><th>Ending</th><th></th></tr></thead><tbody><tr><td>Profit</td><td>75.000</td><td>%</td><td>75.000</td><td>%</td></tr><tr><td>Loss</td><td>75.000</td><td>%</td><td>75.000</td><td>%</td></tr><tr><td>Capital</td><td>75.000</td><td>%</td><td>75.000</td><td>%</td></tr></tbody></table>		Beginning		Ending		Profit	75.000	%	75.000	%	Loss	75.000	%	75.000	%	Capital	75.000	%	75.000	%
	Beginning		Ending																		
Profit	75.000	%	75.000	%																	
Loss	75.000	%	75.000	%																	
Capital	75.000	%	75.000	%																	
M Partner's share of liabilities at year end:																					
Nonrecourse \$																					
Qualified nonrecourse financing . . . \$																					
Recourse \$																					
N Partner's capital account analysis:																					
Beginning capital account \$ 321,000																					
Capital contributed during the year . . . \$																					
Current year increase (decrease) . . . \$ 181,287																					
Withdrawals & distributions \$ (232,947)																					
Ending capital account \$ 269,340																					
<input type="checkbox"/>	Tax basis																				
<input type="checkbox"/>	GAAP																				
<input type="checkbox"/>	Section 704(b) book																				
<input type="checkbox"/>	Other (explain)																				

<input type="checkbox"/> Final K-1 <input type="checkbox"/> Amended K-1	
762216 OMB No. 1545-0099	
Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items	
1 Ordinary business income (loss) 207,286	15 Credits & credit recapture
2 Net rental real estate income (loss) 6,750	
3 Other net rental income (loss) * 972	16 Foreign transactions
4 Guaranteed payments 26,000	
5 Interest income 2,494	
6a Ordinary dividends 833	
6b Qualified dividends 500	
7 Royalties 309	
8 Net short-term capital gain (loss) (1,800)	
9a Net long-term capital gain (loss) 3,750	17 Alternative minimum tax (AMT) items
9b Collectibles (28%) gain (loss) 6,000	A 6,476
9c Unrecaptured section 1250 gain 641	C 926
10 Net section 1231 gain (loss) (4,058)	* STMT
11 Other income (loss) A 3,000	18 Tax-exempt income and nondeductible expenses
F* 3,000	
12 Section 179 deduction 41,250	19 Distributions
13 Other deductions H 86 I 200 * STMT	A 232,947
14 Self-employment earnings (loss) A 220,232	20 Other information
	A 7,536 B 77 Q* 203
*See attached statement for additional information.	
FOR IRS USE ONLY	

**Schedule K-1
(Form 1065)****2005**Department of the Treasury
Internal Revenue Service

For calendar year 2005, or tax

year beginning 01-01, 2005
ending 12-31, 20 05**Partner's Share of Income, Deductions,
Credits, etc.**

▶ See page 2 of form and separate instructions.

Part I Information About the Partnership**A** Partnership's employer identification number40-4240010**B** Partnership's name, address, city, state, and ZIP code**PONIES AND PETUNIAS PARTNERSHIP****145 WEST PLAZA SQUARE SUITE 14****INDIANAPOLIS****IN 46206-0111****C** IRS Center where partnership filed return**D** ☐ Check if this is a publicly traded partnership (PTP)**E** ☐ Tax shelter registration number, if any _____**F** ☐ Check if Form 8271 is attached**Part II Information About the Partner****G** Partner's identifying number234-56-7890**H** Partner's name, address, city, state, and ZIP code**PARTNER TWO****110 MONARCH DR****INDIANAPOLIS IN 46206****I** ☐ General partner or LLC
member-manager☒ Limited partner or other LLC
member**J** ☒ Domestic partner☐ Foreign partner**K** What type of entity is this partner? INDIVIDUAL**L** Partner's share of profit, loss, and capital:

	Beginning		Ending	
Profit	25.000	%	25.000	%
Loss	25.000	%	25.000	%
Capital	25.000	%	25.000	%

M Partner's share of liabilities at year end:

Nonrecourse	• • • • •	\$	_____
Qualified nonrecourse financing	• • •	\$	_____
Recourse	• • • • •	\$	_____

N Partner's capital account analysis:

Beginning capital account	• • • • •	\$	<u>107,000</u>
Capital contributed during the year	• •	\$	_____
Current year increase (decrease)	• • •	\$	<u>60,428</u>
Withdrawals & distributions	• • • • •	\$	<u>(77,649)</u>
Ending capital account	• • • • •	\$	<u>89,779</u>

☐ Tax basis☐ GAAP☐ Section 704(b) book☐ Other (explain) _____**Part III****Partner's Share of Current Year Income,
Deductions, Credits, and Other Items****1** Ordinary business income (loss)69,095**2** Net rental real estate income (loss)2,250**3** Other net rental income (loss)***** 324**4** Guaranteed payments0**5** Interest income831**6a** Ordinary dividends278**6b** Qualified dividends167**7** Royalties103**8** Net short-term capital gain (loss)(600)**9a** Net long-term capital gain (loss)1,250**9b** Collectibles (28%) gain (loss)2,000**9c** Unrecaptured section 1250 gain213**10** Net section 1231 gain (loss)(1,353)**11** Other income (loss)**A** 1,000**F*** 1,000**12** Section 179 deduction13,750**13** Other deductions**H** 28**I** 67***** STMT**14** Self-employment earnings (loss)**A** 73,410**15** Credits & credit recapture**16** Foreign transactions**17** Alternative minimum tax (AMT) items**A** 2,158**C** 308***** STMT**18** Tax-exempt income and
nondeductible expenses**19** Distributions**A** 77,649**20** Other information**A** 2,512**B** 25**Q*** 67

*See attached statement for additional information.

F
O
R
I
R
S
U
S
E
O
N
L
Y

Sales of Business Property

(Also Involuntary Conversions and Recapture Amounts
Under Sections 179 and 280F(b)(2))

▶ Attach to your tax return. ▶ See separate instructions.

2005

Attachment
Sequence No. 27

Name(s) shown on return

Identifying number

PONIES AND PETUNIAS PARTNERSHIP

40-4240010

- 1 Enter the gross proceeds from sales or exchanges reported to you for 2005 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions)

1

Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft -- Most Property Held More Than 1 Year (see instructions)

(a) Description of property	(b) Date acquired (yr., mo., day)	(c) Date sold (yr., mo., day)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (loss) Subtract (f) from the sum of (d) and (e)
2 BUSINESS ASSET LOSS	19971128	20051215	10,000		10,375	(375)
BUSINESS LOSS LESS T	20050317	20050927	10,000		15,036	(5,036)

- 3 Gain, if any, from Form 4684, line 42
- 4 Section 1231 gain from installment sales from Form 6252, line 26 or 37
- 5 Section 1231 gain or (loss) from like-kind exchanges from Form 8824
- 6 Gain, if any, from line 32, from other than casualty or theft
- 7 Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows:

3

4

5

6

7

(5,411)

Partnerships (except electing large partnerships) and S corporations. Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120S, Schedule K, line 9. Skip lines 8, 9, 11, and 12 below.

Individuals, partners, S corporation shareholders, and all others. If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below.

- 8 Nonrecaptured net section 1231 losses from prior years (see instructions)
- 9 Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return (see instructions)

8

9

Part II Ordinary Gains and Losses (see instructions)

- 10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less):

- 11 Loss, if any, from line 7
- 12 Gain, if any, from line 7 or amount from line 8, if applicable
- 13 Gain, if any, from line 31
- 14 Net gain or (loss) from Form 4684, lines 34 and 41a
- 15 Ordinary gain from installment sales from Form 6252, line 25 or 36
- 16 Ordinary gain or (loss) from like-kind exchanges from Form 8824
- 17 Combine lines 10 through 16
- 18 For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below:

11

12

13

19,036

14

15

16

17

19,036

- a If the loss on line 11 includes a loss from Form 4684, line 38, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 27, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 22. Identify as from "Form 4797, line 18a." See instructions

18a

- b Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Form 1040, line 14

18b

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255

(see instructions)

19 (a) Description of section 1245, 1250, 1252, 1254, or 1255 property:	(b) Date acquired (yr., mo., day)	(c) Date sold (yr., mo., day)
A BUSINESS ASSET	2000-02-23	2005-06-27
B		
C		
D		

These columns relate to the properties on lines 19A through 19D. ▶		Property A	Property B	Property C	Property D
20 Gross sales price (Note: See line 1 before completing.)	20	19,036			
21 Cost or other basis plus expense of sale	21	25,000			
22 Depreciation (or depletion) allowed or allowable	22	25,000			
23 Adjusted basis. Subtract line 22 from line 21	23				
24 Total gain. Subtract line 23 from line 20	24	19,036			
25 If section 1245 property:					
a Depreciation allowed or allowable from line 22	25a	25,000			
b Enter the smaller of line 24 or 25a	25b	19,036			
26 If section 1250 property: If straight line depreciation was used, enter 0- on line 26g, except for a corporation subject to section 291.					
a Additional depreciation after 1975 (see instructions)	26a				
b Applicable percentage multiplied by the smaller of line 24 or line 26a (see instructions)	26b				
c Subtract line 26a from line 24. If residential rental property or line 24 is not more than line 26a, skip lines 26d and 26e	26c				
d Additional depreciation after 1969 and before 1976	26d				
e Enter the smaller of line 26c or 26d	26e				
f Section 291 amount (corporations only)	26f				
g Add lines 26b, 26e, and 26f	26g				
27 If section 1252 property: Skip this section if you did not dispose of farmland or if this form is being completed for a partnership (other than an electing large partnership).					
a Soil, water, and land clearing expenses	27a				
b Line 27a multiplied by applicable percentage (see instr.)	27b				
c Enter the smaller of line 24 or 27b	27c				
28 If section 1254 property:					
a Intangible drilling and development costs, expenditures for development of mines and other natural deposits, and mining exploration costs (see instructions)	28a				
b Enter the smaller of line 24 or 28a	28b				
29 If section 1255 property:					
a Applicable percentage of payments excluded from income under section 126 (see instructions)	29a				
b Enter the smaller of line 24 or 29a (see instructions)	29b				

Summary of Part III Gains. Complete property columns A through D through line 29b before going to line 30.

30 Total gains for all properties. Add property columns A through D, line 24	30	19,036
31 Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and on line 13	31	19,036
32 Subtract line 31 from line 30. Enter the portion from casualty or theft on Form 4684, line 33. Enter the portion from other than casualty or theft on Form 4797, line 6	32	

Part IV Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less

(see instructions)

		(a) Section 179	(b) Section 280F(b)(2)
33 Section 179 expense deduction or depreciation allowable in prior years	33		
34 Recomputed depreciation (see instructions)	34		
35 Recapture amount. Subtract line 34 from line 33. See the instructions for where to report	35		

2005 Form 3 MA0500711024
Massachusetts Partnership Return of Income

Year beginning 01012005 Ending 12312005

PONIES AND PETUNIAS PARTNERSHIP 40-4240010
145 WEST PLAZA SQUARE SU INDIANAPOLIS
123 POWER LANE CHATHAM

IN 46206-0111
MA 02633

Date business started 07011999

Select applicable items: Initial return Final return Name change Address change
Amended return Amended return due to federal change

Accounting method: Cash ☒ Accrual Other

1. Gross income (from worksheet in instructions).
Note: If line 1 is \$50,000 or greater you must file this form electronically ▶ 1 1022023
2. Principal business activity **CHAIR MFG**
3. If investing, is the partnership engaged exclusively in buying, selling, dealing in or holding securities on its own behalf and not as a broker? 3 Yes ☒ No
4. Is this partnership organized as a United States Liability Company under MGL Ch. 156 and treated as a partnership for federal income tax purposes? 4 ☒ Yes No
5. Is this partnership a publicly traded partnership as defined in IRC sec. 469(k)2? 5 Yes ☒ No
6. Has there been a sale or transfer of a partnership interest during the period reported on this tax return or a technical termination pursuant to IRC sec. 708? 6 Yes ☒ No
7. Is this partnership filing Schedules 3K-1 on diskette? 7 Yes ☒ No
8. Income apportionment percentage 8 49.896900
9. Do any partners in this partnership file as part of a nonresident composite income tax return?
If Yes, enter Federal Identification number under which the composite return is filed 9 ☒ Yes No
Number of partners included in composite return ▶ 77-0000000
2
2
10. Number of Schedules 3K-1 enclosed 2

SIGN HERE. Under penalties of perjury, I declare that to the best of my knowledge and belief this return and enclosures are true, correct and complete.

Signature of appropriate officer Date 02022006 Print paid preparer's name Paid preparer's SSN or PTIN
Title GENERAL PARTNER Paid preparer's phone Paid preparer's EIN

Paid preparer's signature Date 02022006 Check if self-employed

PRIVACY ACT NOTICE AVAILABLE UPON REQUEST

02-02-2006 12:31:01

2005 Form 3, pg. 2**MA0500721024**

Massachusetts Partnership Return of Income

40-4240010

1. Ordinary income or loss from U.S. Form 1065, line 22	▶1	276381
2. Other income or loss from U.S. Form 1065, Schedule K, line 11	▶2	4000
3. State, local and foreign income and unincorporated business taxes or excises	▶3	1835
4. Subtotal. Add lines 1 through 3	▶4	282216
5. Section 1231 gains or losses included in line 4	▶5	4621
6. Subtotal	▶6	277595
7. Adjustments, if any, to line 6. Enter the line number from U.S. Form 1065 that the adjustment applies to and enter the amount.		
a. Line number 16 Amount -50591		
b. Line number Amount		
c. Line number Amount		
	Total adjustments ▶7	-50591
8. Massachusetts ordinary income or loss	▶8	227004
9. Net income or loss from rental real estate activities from U.S. Form 1065, Schedule K, line 2	▶9	9000
10. Adjustments, if any, to line 9. Enter the line number from U.S. Form 1065 that the adjustment applies to and enter the amount.		
a. Line number Amount		
b. Line number Amount		
c. Line number Amount		
	Total adjustments ▶10	
11. Adjusted Massachusetts net income or loss from rental real estate activities	▶11	9000
12. Net income or loss from other rental activities from U.S. Form 1065, Schedule K, line 3c	▶12	1297
13. Adjustments, if any, to line 12. Enter the line number from U.S. Form 1065 that the adjustment applies to and enter the amount.		
a. Line number Amount		
b. Line number Amount		
c. Line number Amount		
	Total adjustments ▶13	
14. Adjusted Massachusetts net income or loss from rental activities	▶14	1297

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Massachusetts Partnership Return of Income

40-4240010

15.	U.S. interest, dividend & royalty income, not including capital gains from U.S. Form 1065, Sch. K, lines 5, 6a & 7	▶15	8848
16.	Interest on U.S. debt obligations included in line 15	▶16	1500
17.	5.3% interest from Massachusetts banks included in line 15	▶17	1243
18.	Interest (other than Massachusetts bank interest) and dividend income included in line 15	▶18	1431
19.	Non-Massachusetts state and municipal bond interest	▶19	200
20.	Royalty income included in line 15	▶20	412
21.	Total short-term capital gains included in U.S. Form 1065, Schedule D, line 5	▶21	3000
22.	Total short-term capital losses included in U.S. Form 1065, Schedule D, line 5	▶22	-5400
23.	Gain on the sale, exchange or involuntary conversion of property used in a trade or business and held for one year or less from U.S. Form 4797	▶23	19036
24.	Loss on the sale, exchange or involuntary conversion of property used in a trade or business and held for one year or less from U.S. Form 4797	▶24	-5036
25.	Net long-term capital gain or loss from U.S. Form 1065, Schedule K, line 9a	▶25	5000
26.	Long-term section 1231 gains or losses not included in line 25	▶26	-5411
27.	Long-term gains on collectibles and pre-1996 installment sales included in line 25	▶27	8000
28.	Adjustments, if any, to lines 21 through 27, including any gain or loss from Massachusetts fiduciaries. Enter the line number from U.S. Form 1065 that the adjustment applies to and enter the amount.		
a.	Line number Amount		
b.	Line number Amount		
c.	Line number Amount		
	Total adjustments	▶28	

2005 Form 3, pg. 4**MA0500741024**

Massachusetts Partnership Return of Income

40-4240010**PONIES AND PETUNIAS PARTNERSHIP 40-4240010**

LOCATION	STATE	FACILITY TYPE	ACCEPTS ORDERS	REG. IN STATE	FILES IN STATE
CHATHAM	MA	SALES	X	X	X
ANAHEIM	CA	SALES	X	X	X
DELAWARE	OH	MANUFACTURING	X	X	X
HOLLYWOOD	FL	WAREHOUSE	X	X	X

Apportionment Factors

1. Tangible property				
a. Property owned	Massachusetts	425000	Worldwide	858500
b. Property rented	Massachusetts	96000	Worldwide	96000
c. Total property owned and rented	Massachusetts	521000	Worldwide	954500
d. Tangible property apportionment percentage			1d	54.583600
2. Payroll				
a. Total payroll	Massachusetts	65425	Worldwide	112000
b. Payroll apportionment percentage			2b	58.415200
3. Sales				
a. Tangible	Massachusetts	375000	Worldwide	1011314
b. Services	Massachusetts		Worldwide	
c. Rents and royalties	Massachusetts		Worldwide	10709
d. Other sales factors	Massachusetts		Worldwide	
e. Total sales factors	Massachusetts	375000	Worldwide	1022023
f. Sales apportionment percentage			3f	36.691900
4. Apportionment percentage			4	149.690700
5. Massachusetts apportionment percentage			5	49.896900

2005 Schedule 3K-1**MA053K111024**

Partner's Massachusetts Information

Year beginning **01012005** Ending **12312005**

PARTNER ONE **123-45-6789**
85 CHESAPEAKE DRIVE INDIANAPOLIS IN 46206
PONIES AND PETUNIAS PARTNERSHIP 40-4240010
145 WEST PLAZA SQUARE SU INDIANAPOLIS IN 46206-0111

Type of partner Individual resident ☒ Individual nonresident ☒ General partner or LLC member-manager
Limited partner or other LLC member Domestic partner Foreign partner
Select one Final Amended 3K-1

Partner's Distributive Share

1. Massachusetts ordinary income or loss	1	84951
2. Guaranteed payments to partners (deductible and capitalized)	2	9730
3. Separately stated deductions	3	
4. Combine lines 1 through 3	4	94681
5. Credits available		
a. Taxes paid to another jurisdiction (residents only)	5a	
b. Lead paint credit	5b	
c. Economic opportunity area credit	5c	
d. Full employment credit	5d	
e. Brownfields credit	5e	
f. Low-income housing credit	5f	
g. Historic Rehabilitation credit	5g	
h. Home energy efficiency credit	5h	
i. Total credits	5i	
6. Net income or loss from rental real estate activity	6	3368
7. Net income or loss from other rental activity	7	485
8. Interest from U.S. obligations	8	1125
9. Interest (5.3%) from Massachusetts banks	9	932
10. Other interest and dividend income	10	536
11. Non-Massachusetts state and municipal bond interest	11	75
12. Royalty income	12	154
13. Short-term capital gains	13	1123
14. Short-term capital losses	14	-2021

2005 Schedule 3K-1, pg. 2

MA053K121024

Partner's Massachusetts Information

123-45-6789

15.	Gain on the sale, exchange, or involuntary conversion of property used in a trade or business held for one year or less	15	7124
16.	Loss on the sale, exchange, or involuntary conversion of property used in a trade or business held for one year or less	16	-1885
17.	Long-term capital gain or loss	17	1871
18.	Net gain or loss under Section 1231	18	-2025
19.	Long-term gains on collectibles and pre-1996 installment sales	19	2994
20.	Differences and adjustments	20	

Corporate Partner Information

21.	State and municipal bond interest not included in U.S. net income	21
22.	Foreign, state or local income, franchise, excise or capital stock taxes deducted from U.S. net income	22
23.	Other adjustments, if any	23

Reconciliation of Partner's Capital Account

24.	Balance at the beginning of the year	24	321000
25.	Massachusetts net income for the year	25	90378
26.	Entire net income for the year	26	181129
27.	Capital contributions	27	
28.	Withdrawals	28	232947
29.	Balance at end of year	29	269182

Partner's Share of Profit, Loss and Capital

30.	Percentage of profit	Beginning 75.00000	Ending 75.00000
31.	Percentage of loss	Beginning 75.00000	Ending 75.00000
32.	Percentage of capital	Beginning 75.00000	Ending 75.00000

2005 Schedule 3K-1**MA053K111024**

Partner's Massachusetts Information

Year beginning **01012005** Ending **12312005**

PARTNER TWO **234-56-7890**
110 MONARCH DR **INDIANAPOLIS** **IN 46206**
PONIES AND PETUNIAS PARTNERSHIP **40-4240010**
145 WEST PLAZA SQUARE SU **INDIANAPOLIS** **IN 46206-0111**

Type of partner Individual resident ☒ Individual nonresident General partner or LLC member-manager
☒ Limited partner or other LLC member Domestic partner Foreign partner
Select one Final Amended 3K-1

Partner's Distributive Share

1. Massachusetts ordinary income or loss	1	28317
2. Guaranteed payments to partners (deductible and capitalized)	2	3243
3. Separately stated deductions	3	
4. Combine lines 1 through 3	4	31560
5. Credits available		
a. Taxes paid to another jurisdiction (residents only)	5a	
b. Lead paint credit	5b	
c. Economic opportunity area credit	5c	
d. Full employment credit	5d	
e. Brownfields credit	5e	
f. Low-income housing credit	5f	
g. Historic Rehabilitation credit	5g	
h. Home energy efficiency credit	5h	
i. Total credits	5i	
6. Net income or loss from rental real estate activity	6	1123
7. Net income or loss from other rental activity	7	162
8. Interest from U.S. obligations	8	375
9. Interest (5.3%) from Massachusetts banks	9	311
10. Other interest and dividend income	10	179
11. Non-Massachusetts state and municipal bond interest	11	25
12. Royalty income	12	51
13. Short-term capital gains	13	374
14. Short-term capital losses	14	-674

2005 Schedule 3K-1, pg. 2

MA053K121024

Partner's Massachusetts Information

234-56-7890

15.	Gain on the sale, exchange, or involuntary conversion of property used in a trade or business held for one year or less	15	2375
16.	Loss on the sale, exchange, or involuntary conversion of property used in a trade or business held for one year or less	16	-628
17.	Long-term capital gain or loss	17	624
18.	Net gain or loss under Section 1231	18	-675
19.	Long-term gains on collectibles and pre-1996 installment sales	19	998
20.	Differences and adjustments	20	

Corporate Partner Information

21.	State and municipal bond interest not included in U.S. net income	21
22.	Foreign, state or local income, franchise, excise or capital stock taxes deducted from U.S. net income	22
23.	Other adjustments, if any	23

Reconciliation of Partner's Capital Account

24.	Balance at the beginning of the year	24	107000
25.	Massachusetts net income for the year	25	30126
26.	Entire net income for the year	26	60376
27.	Capital contributions	27	
28.	Withdrawals	28	87522
29.	Balance at end of year	29	79854

Partner's Share of Profit, Loss and Capital

30.	Percentage of profit	Beginning 25.00000	Ending 25.00000
31.	Percentage of loss	Beginning 25.00000	Ending 25.00000
32.	Percentage of capital	Beginning 25.00000	Ending 25.00000